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FM AMEMBASSY BERLIN
TO RUEHC/SECSTATE WASHDC PRIORITY 6880
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE PRIORITY
RUCNFRG/FRG COLLECTIVE PRIORITY
RHEHNSC/NSC WASHDC PRIORITY
RHMFIUU/DEPT OF ENERGY WASHINGTON DC PRIORITY
RHEHAAA/THE WHITE HOUSE WASHDC PRIORITY

UNCLAS SECTION 01 OF 02 BERLIN 000208

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STATE FOR EB/ESC DAS SIMONS, EUR/AGS O'KEEFFE, THE WHITE
HOUSE FOR CEQ, NSC FOR MCKIBBEN

E.O. 12958: N/A

TAGS: [ENRG](#) [PGOV](#) [PREL](#) [SENV](#) [EU](#) [GM](#)

SUBJECT: EB/ESC DAS PAUL SIMONS MEETINGS WITH GERMAN
OFFICIALS ON ENERGY

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11. SUMMARY. On January 25, EB DAS Paul Simons met with Foreign Office Policy Planning Staff Head Markus Ederer and Economic Ministry Director General for Energy Issues Andreas Schusseil to discuss energy issues during Germany's EU and G-8 presidencies. Both German officials were positive about the President's energy agenda, unveiled in his State of the Union Address. They also sought follow-up to the German proposal for U.S.-EU cooperation on research in clean energy technologies, arguing this was an opportunity to build on existing transatlantic cooperation in developing clean energy technologies. Germany is trying to engage the Russians on transparency in the energy market and increased efficiency. German foreign ministry officials also support bringing major Asian countries, such as India and China, closer to the IEA to ensure its continued relevance. The next German national energy summit has been postponed to the end of June. END SUMMARY.
GERMAN REACTION TO PRESIDENT'S CLIMATE CHANGE/ENERGY AGENDA

12. Both Ederer and Schusseil were very supportive of the President's State of the Union message and interested in more details about the President's agenda on energy and climate. This followed Simons' appearance on a panel with German environment minister Gabriel at the Handelsblatt Energy Conference, during which Gabriel also welcomed the President's speech as a "major opening." Simons discussed in detail the President's proposal to achieve 20% savings in projected gasoline use by 2017 with an increased use of biofuels and higher CAFE standards for vehicles. Schusseil said that Germany is also interested in increasing its biofuels quota to 12.5% of total consumption of gasoline. The EU goal is currently 10%. Schusseil added that one of the barriers to raising the percentage is the fear this might lead to shortages of food items elsewhere or encourage CO2-intensive agriculture techniques such as deforestation. Another sensitivity is paying biofuel subsidies to foreigners if imports need to increase to meet these targets.

13. Both Ederer and Schusseil raised the issue of emissions trading discussions in the U.S. The Germans are interested in bringing the U.S. into post-Kyoto emissions targets as well as in discussions in the U.S. about a cap and trade system. Simons replied that the U.S. is focusing on ways to bring other major developing economies into any such

arrangement, especially China and India. Only a regime that covers all major economies can be successful. Schusseil complained the emissions trading system in Germany was too expensive and energy companies had passed on the cost of emissions trading certificates to customers, even though they had received them for no cost from the government. As a result, the Economic Ministry is looking at other mechanisms for distributing certificates such as auctions and is considering strengthening competition law.

U.S. EU COOPERATION ON CLEAN ENERGY TECHNOLOGIES

14. Ederer raised the status of the American response to the German proposal for cooperation in renewable energy technologies. He understood from his deputy, Victor Elbling, that State energy coordinator Manuel is working on coordinating the USG response. Ederer noted this was the perfect opportunity for the U.S. to appeal to the European public and show that it was engaged with European partners in working to create new technologies that helped the environment. It would also convince doubters of the U.S. commitment to working with Europeans to address climate issues. Ederer is confident energy/climate is one area progress can be made before the U.S.-EU Summit but added that time was short; an American response was needed soon. The U.K. are supportive of the proposal and the French "are not negative." The opportunity to work with the EU on funding new energy technologies is a perfect example of an area in which both the U.S. and EU can be proactive. Ederer also raised the possibility of conducting a private sector roundtable to discuss further U.S.-EU cooperation in developing new energy technologies. He emphasized that if both the U.S. and EU pooled venture capital and R&D efforts in this area, they would be unstoppable. Ederer said other issues such as deregulation and agreeing on joint standards are more difficult and will take more time. Schusseil also

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endorsed the energy proposal, emphasizing that there is a lot of ongoing transatlantic cooperation in developing new energy technologies, of which many Europeans are unaware. Simons confirmed the German proposal was being studied closely in Washington and the U.S. side was preparing a response.

ST. PETERSBURG ENERGY PRINCIPLES

15. Simons sought out German views on ways to build upon the St. Petersburg energy principles in this year's G8 summit. Ederer responded that while some stocktaking would be desirable, Russian President Putin counter EU critics (including at the Soichi summit) with examples of how other G-8 partners do not live up to their commitments to open energy markets, for example, by failing to provide third party access to LNG infrastructure. He added the Germans are trying to translate these principles into the EU-Russian relationship, and said that Germany is looking into the idea of having the "plus five" countries at the summit endorse the St. Petersburg principles. Meanwhile, Germany will continue to stress energy efficiency and its links to energy security. Ederer suggested that Germany and the U.S. remain in close touch on energy agenda.

IEA ISSUES

16. On the IEA, the German Foreign Office believes it is important to engage developing Asian economies in international governance structures. Otherwise, the IEA risks becoming irrelevant. Ederer pointed out the proposed conference under the G-8 with plus 5 countries on energy security and climate was designed to start this dialogue. Schusseil also endorsed the need to bring China and India into the IEA process. Simons agreed, saying the U.S. and Japan were pushing the hardest to integrate China and India into the IEA.

GERMAN NATIONAL ENERGY SUMMIT POSTPONED

17. Ederer confirmed that the third German national energy summit will be postponed until the summer. He said the government intends to address the nuclear issue at that time. While it is important to send clear signs to industry in order to attract needed investment, Schusseil said the most that will happen would be an extension of the operating life of existing plants. Ederer bemoaned the fact that Germans seem to have few qualms about buying nuclear energy from neighboring countries, but do not want the plants in Germany. Schusseil said the summit would likely take place at the end of June. He noted that the IEA's focus on nuclear energy as essential for any country concerned about CO2 emissions is helpful to discussions in Germany about changing its commitment to a nuclear phase-out. Schusseil confirmed that the Economics Ministry was undertaking a major effort inside the German bureaucracy to revisit the issue of nuclear phase out, using reduced carbon emissions as the principal argument to bring around the critics. While he did not believe that Germany would shift its opposition to new nuclear plants prior to the expiry of the current coalition agreement in 2009, he did expect that Germany with Merkel's support would find some way to extend the life of its existing nuclear plants beyond their current phase out schedule.

18. This cable has been cleared with DAS Simons.
TIMKEN JR